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DIRECTORATE OF  
INTELLIGENCE

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# Intelligence Memorandum

*The Peruvian Revolution: Three Years Later*

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence  
22 February 1972

INTELLIGENCE MEMORANDUM

The Peruvian Revolution: Three Years Later

Summary

After more than three years in office, the Peruvian military regime has its hands full trying to carry through the reforms it has begun. Programs of industrial and agrarian reform are well under way, but progress in general has not been as swift as the planners hoped. Economic resources are scarce, as are competent technicians and planners, and the educational system continues to be geared to the Latin tradition of liberal arts and law rather than the technical professions.

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there is little real opposition, and even a change of presidents probably would not alter the revolution drastically.

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1. When the military government assumed power in October 1968, its members had definite ideas as to the new course that Peru should follow. Chief among these was to decrease dependence on the US, both in economic and political terms. In addition, the military administration wanted to break the back of the political and economic oligarchy by expanding government and worker ownership of the means of production. The leaders hoped for a moderate form of statism through new and far-reaching programs.

2. Another important component of the military's plan was the restructuring of the Peruvian political system. Before the revolution, the political process was hamstrung by disputes between the executive and the legislature. Furthermore, the strongest political party was the American Popular Revolutionary Alliance--APRA--with which the military had feuded bitterly for more than 40 years. This enmity began in 1932, when Apristas revolted against the jailing and exile of their leaders, including the head of the party, Victor Raul Haya de la Torre. The Apristas took over the city of Trujillo and murdered a number of army officers. When the rebellion was put down, the army used firing squads to kill truckloads of Apristas. The distrust engendered at that time was a major factor in the latest military takeover after it became apparent that Haya de la Torre might well win the 1969 presidential election. Government leaders have emphasized that any return to civilian democracy must be on the basis of a political system that is responsive to the wishes of the majority of the population. The military would not permit an APRA-led government to succeed it.

3. Three years of office have brought modifications in these plans as the reformers struck out in still other directions. At the same time, much has been accomplished. Independence from the US has been demonstrated through expropriation of US

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companies, recognition of China and Albania, and rapprochement with Cuba. The oligarchy has been attacked through industrial and agrarian reform laws as well as by the nationalization of telecommunications facilities owned by it. This has alienated the old guard but has not produced widespread popular enthusiasm. In general, the peasants are more optimistic about the future and, in many cases for the first time, are becoming interested in life outside their own villages. A new program, Social Mobilization, is intended to generate support from the masses for the government's policies as well as to bring more peasants into the economic and political life of the country.

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5. During 1971, severe economic strains developed, and Peru faced serious deficits in its budget and balance of payments. Foreign investors have shown interest in Peru. Several important projects are in the works, including extensive investment in the newly discovered oil fields in the Amazon jungle. It is hoped that increasing foreign participation will help rouse reluctant domestic investors.

#### Important Reforms

6. One of the first major decrees of the military government was the agrarian reform law issued in June 1969. This law was intended to restructure drastically the rural economic and social system, shifting control of land and associated facilities from a relatively small number

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of owners to individual small farmers and worker-owned cooperatives. Some progress has been made, but the staggering size of the problem and the general inefficiency of the bureaucracy hamper implementation. Furthermore, even under the most liberal interpretation of the law, there is not enough land to provide each peasant with his own family farm. Thus, a number of the large estates will have to be maintained intact and made into cooperatives. Success will depend on providing sufficient extension services and effective propaganda in favor of the cooperative system to convince the farmers that this kind of reform is in their own best interests.

7. Another important project, and one that could influence the pace and style of the return to civilian government, is the National System for the Support of Social Mobilization, established in June 1971. This cabinet-level organization is headed by General Leonidas Rodriguez Figueroa. Rodriguez is one of the most radical military members of the government, and his staff includes a number of extremists such as Hector Bejar, a former leader of the guerrillas who were defeated in 1965.

8. The Social Mobilization System is aimed at bringing the great majority of the population into the political life of the country. There are indications that it could be turned into a political party and used as a vehicle to carry on the military's ideas after the government is turned over to civilians. Rodriguez and other government spokesmen deny such plans, but at the very least, the system could provide a ready-built organization. The system has been given control over a number of development agencies that employ thousands of people and have budgets totaling about US \$92 million, or about six to seven percent of the total budget. Among these agencies are the new agrarian cooperatives as well as the "workers' communities" being established in industry, fishing, and mining. Although Social Mobilization now is largely run

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by the military, the government hopes that individuals will get experience in operating this sort of organization and develop the ability and desire to act on a broader scale. In theory, the military could leave the government in the hands of this network of organizations.

9. Social Mobilization, however, faces both apathy and distrust. The groups toward which the effort is primarily directed, including the large Indian population, have little understanding or appreciation of the concept, "general welfare;" they are instinctively suspicious of government. Previous efforts, although on a smaller scale, have died quietly after initial fanfare. In fact, Social Mobilization is supposed to incorporate what is left of the Committees for the Defense of the Revolution. They were organized in 1970 as a means of political education but never really got going.

10. Another far-reaching reform was the expropriation in November 1971 of 51 percent of the shares of all television stations in Peru. Under the reform, radio stations may be owned only by state companies, by mixed companies in which the government controls 25 percent interest, or by private companies organized exclusively for radio broadcasting. No single company can operate more than seven radio stations in the country or more than one radio station and one television station in the same department.

11. Payment for expropriated properties will take the form of a deposit in the central bank equal to the nominal value of the capital stock shares to be taken. The Ministry of Transport and Communications then will determine the true value on the basis of a "technical and accounting audit." The law also provides for setting up workers' "communities" to receive some of the profits but, unlike the systems in industry, fishing and mining, does not establish workers' ownership or control.

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12. One important requirement is that 60 percent of the programming be produced in Peru. The military government has stressed throughout its tenure the importance of using radio and television for public education. A certain amount of time must be turned over to the government for its own programs.

13. One of the government's recent actions in seeking greater control of the communications media was the ouster of Pedro Beltran, one of its strongest critics, from his position as publisher of the influential newspaper La Frensa. The government used the fact that he had stayed out of Peru for two weeks longer than the six months approved in the 1970 Freedom of the Press Law as an excuse for moving against him. This action indicates that the government is willing to risk adverse reaction both at home and abroad in order to intimidate critics in the media.

14. An extremely important part of the government's reform program is embodied in the industrial reform law of 1970. This law sets strict limits on foreign participation in industry and also provides for organizing "communities" of workers that will gradually acquire 50-percent ownership of the companies. The hope is that giving the workers a real stake in the company will provide an incentive for better working habits and for increased production. Nevertheless, workers, especially in the large sugar-producing cooperatives, still feel little sense of ownership and continue to demand substantial wage raises and benefits. In addition, the government has been forced to reconsider the worker participation clauses because of their continued adverse impact on private investment and economic growth. As a result, an increasing number of communities will be receiving shares in the government's development finance company.

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The Military and the Communists

15. During its three years in office, the military government has received the support of the pro-Soviet Communist Party, worked with it, and in many cases adopted its position. This has been particularly true regarding labor. Before the military took power in 1968, the APRA party's trade union confederation was the strongest in Peru. To cut into its strong position, the government encouraged the Communist-controlled General Confederation of Peruvian Workers and, in January 1971, granted it official recognition.

16. Although the government continues to favor the Communist-led confederation, there have been recent indications of concern about its actions. Communist-led labor agitation in the mines cost Peru \$80 million in export earnings and \$20 million in tax revenues during the last two years, and administration spokesmen have now denounced "agitators of the extreme left" as well as the right. President Velasco last year went so far as to state that the "agitators" had become unwitting tools of the right. At the same time, the Communist confederation is under pressure from the rank and file to match the militancy of the extreme leftists.

17. Two recent decrees are designed to restore more balance. All labor contract disputes lasting more than 30 days are to be referred to the ministry of labor for settlement, and, beginning in 1973, labor contracts are to be for two years rather than one. The Communists did not want these laws, but they probably will be able to work within them. The government also is considering promoting a third labor confederation composed of unions strongly supporting the government. This idea has not yet gotten off the ground. In the meantime, the government probably will try to avoid a direct clash with the Communist-led confederation.

18. The military government's relationship with students has also been ambivalent. Government-initiated university reforms, aimed at modernizing

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educational administration, have been opposed both by educators and by the students, who favor continued university autonomy. The legalization of student political action groups has ended their clandestine activities and given them wider influence.

19. During 1970 and 1971, students and faculty protesting the government's reforms clashed with police on occasion, and several universities were closed from time to time. Last December the military administration yielded to demands of militant leftist students at San Marcos University in Lima by deporting an American rock music group that had come to Peru for a concert. It is possible that the Communist students, who in the recent past have been relatively quiet, will see this as a capitulation and will try to exercise what they believe is their new-found power in other, more disruptive, ways.

#### The Government, the Communists, and the Russians

20. The military government quickly established diplomatic relations with the Soviet Union and the East European countries. Since then, the Soviets have increased their diplomatic and commercial activities, and in September 1971, signed an agreement to provide financing for the construction of a huge fishing port at Paita. Total trade between Peru and the Soviet Union has remained small, but the Soviets maintain a high visibility with surveys, study teams, and cultural exchanges. For example, two movie theaters in Lima show only Soviet offerings, and a number of Soviet films have been shot partly in Peru.

21. At the same time distrust of the Soviets remains within the military. Not long after several Soviet diplomats were expelled from Mexico because of the Soviet Union's reported connection with guerrilla training, the interior minister indicated that Soviet activities in Peru would be scrutinized more closely than they had been in the

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past. The armed forces have shown no particular interest in Soviet hardware. This could change if other sources are closed off and the Soviets offer extremely attractive terms.

22. The combination of toleration of the Peruvian Communists and accommodation with the Soviets has increased opportunities for contact between the Communist Party and the Soviet Embassy. Because of factionalism in the party and concern for their relations with the government, however, the Soviets have been wary of a close relationship. Indeed, most Soviet activity has been directed toward assistance to the Communist labor confederation.

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[redacted] In general, however, the Soviets pursue their objectives through direct government-to-government contacts and see little necessity for working through the local Communist organization.

#### Toward a More Independent Foreign Policy

23. A primary concern of Velasco's government continues to be asserting its independence of US influence. The first foreign minister of the military regime, Edgardo Mercado Jarrin, was instrumental in charting Peru's international course. Besides recognizing most of the Communist nations, he caused Peru's posture in international organizations to be more closely aligned with that of the "third world" countries. Mercado believed that such a position would give Peru greater latitude in its international affairs and provide a wider access to foreign markets for its products. In addition, the military government disliked Peru's record of general support for the US position in international meetings.

24. Another important activity in foreign affairs has been Peru's rapprochement with Cuba. Cuban relief was prominent following the disastrous earthquake in 1970, and in 1971 Peru shipped fish-meal--a major export item--to Cuba in contravention

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of OAS regulations. Last December, Fidel Castro was greeted by President Velasco during a brief stopover on his way home from Chile. Later that month Peru raised the question of revising the OAS sanctions against Cuba. Peruvian officials were surprised at the strength of the opposition to their suggestion, and the initiative was dropped; it probably will be revived this year. Mercado stated that Peru would move on its own unless the OAS agrees to give individual countries freedom of choice in determining policy toward Cuba.

25. On 1 January, Mercado was replaced by General Miguel de la Flor, with Mercado becoming Army chief of staff, but there has been no change in foreign policy. Indeed, President Velasco informed the US ambassador recently that he had had to reprimand de la Flor for making statements about the possibility of establishing diplomatic relations with North Korea before the cabinet had made a decision. Even if this step is not taken, the government is moving toward closer relations with the Communist nations. Peru's trade with China shows some promise. Last year fishmeal and fishoil worth more than \$30 million was sold, and an agreement for 1971-72 calls for shipments of \$45 million worth of copper and other metals for hard currency. In addition, Peruvian minerals and metals will be shipped to China through 1975. In addition, China has granted Peru a \$42 million interest-free loan that will be used largely for developing the mining and petroleum sectors. China appears intent on developing good government-to-government relations and is curtailing its contacts with Peruvian extremist groups.

26. Peru's relations with the US began improving about a year and a half ago, as the controversy over the expropriation of the International Petroleum Company subsided. Peru has seemed more flexible than Ecuador on the issue of fishing within the claimed 200-mile territorial limit, and there is some indication that Peru will advocate a compromise position at the UN Law of the Sea conference next year. An agreement in principle was

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reached last year with W. R. Grace and Company, following the expropriation of Grace's sugar properties. Peruvian officials have shown satisfaction at these developments, expressing a reluctance to see the traditional ties of friendship and trade with the US broken irreparably.

The New Personalism of President Velasco

27. Early statements by the military government emphasized the joint nature of the administration, although there was never any doubt about the primacy of the army and President Velasco. Even today, the ministers of navy and air force join Velasco as members of the armed forces junta on state occasions. Recently, however, there have been indications that Velasco is beginning to encourage adulation for himself personally.

28. A clear example of this attitude came in the handling of his trip through southern Peru last October. It was only the third time that he had left the Lima area since the coup, and officials of the government's Social Mobilization and of the Communist Party actively organized enthusiastic receptions along the way. The trip was capped by a mass rally in Lima where the slogans lauded "Velasco the brave, the humble, the beautiful."

29. These attempts, may be aimed in part at giving the President a freer hand in developing policies opposed by members of the administration. Although the military government makes no pretense of being democratic, it is ruling in the name of the Peruvian people. The more popular support Velasco can point to, the stronger will be his position. A danger, of course, lies in this exposure--the possibility that enough military officers will become dissatisfied and act against Velasco as the personification of official policies. At present, however, there are few indications that such a move is in the works.

30. Another possibility is that Velasco will start believing his own propaganda. Some observers claim that he is becoming increasingly isolated

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from reality and that his close advisers tell him only what he wants to hear. Velasco in the past has behaved astutely, but after more than three years in power, it is possible that his tolerance of dissent is decreasing.

31. In November 1971, President Velasco learned that he and his program for extended military control are not viewed with total approval in Peru. Breaking with his general practice of appearing only before organized crowds, the President and his wife attended a bullfight. The crowd, in both the low-priced and high-priced seats, booed them and ridiculed the matadors whenever they attempted a show of courtesy. At one point, a shout of "We want free elections!" was followed by loud and prolonged applause. The story was minimized in the press, and Velasco's sycophants may have convinced him that the booing was inspired by rightist agitators. Nevertheless, the demonstration probably heartened members of the military who advocate returning the government to civilian control.

#### What's Ahead

32. Recent statements by the military hint that 1976 is the earliest possible date for a return to civilian government and that a later date is more probable. As long as the present group is in power, few policy changes are likely. Some steps have been taken to prevent further costly strikes, and the discovery of petroleum deposits in the northeast promises revenues for carrying out domestic plans. In addition, expansion of the copper industry may accelerate exports and increase the economy's growth potential.

33. The crucial problem facing Velasco and his colleagues is follow through on decreed reforms. For example, making cooperatives out of the large agro-industrial plantations will be a difficult test for the government's agrarian reform policies. Workers, seemingly more interested in high salaries than in ownership, will have to be convinced of the benefits of government reform. In the Andes, a cooperative spirit exists, but the lack of resources seriously hampers economic development.

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In addition, the country lacks technicians and planners to carry the reforms past the drafting stage.

34. Despite these problems, the government has a number of advantages. There is no serious organized opposition [REDACTED]

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[REDACTED] A key accomplishment is the fact that far leftist parties have not undertaken terrorist operations against the government. Even if Velasco were to be forced out by his military colleagues, it is unlikely that the basic thrust of the government would change dramatically. Although the military attitude of expecting an order to be obeyed at once has its drawbacks in economic and social affairs, the armed forces are considerably more efficient than the bureaucrats they removed. The armed forces are continuing the academic programs that produced many of the present leaders (although not Velasco himself). Thus, younger officers should be even better equipped to assume policy-making roles in government.

35. In any event, the military government has set Peru on a course from which it will not be easily turned aside. Increased foreign interest could eventually cause a resurgence of domestic confidence, bringing private money back into the economy. In addition, more Peruvians probably will begin to participate in both the economic and political life of the country.

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